

**GRANT COUNTY SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**- WITH INDEPENDENT AUDITORS' REPORT -**

**GRANT COUNTY SCHOOL DISTRICT  
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**Independent Auditors' Report**

Members of the Board of Education  
Grant County School District  
820 Arnie Risen Blvd.  
Williamstown, KY 41097

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

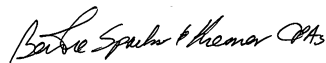
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County School District, as of June 30, 2012, and the respective changes in financial position, respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2012 on our consideration of the Grant County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 8, and Budgetary Comparison Information, on page 15, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Grant County School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bertke, Sparks & Kremer, Inc.  
August 31, 2012

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

As management of the Grant County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$11,639,577.
- The General Fund had \$26,105,944 in revenue, excluding interfund transfers. General Fund revenues primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$26,401,072 in General Fund expenditures.
- All staff received a step increase for an additional year's experience for the 2011-2012 school year.
- The District experienced a mid-year cut in state SEEK funding which had to be made up from the General Fund.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2012**

**OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)**

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 35 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$26,320,764 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2012**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

**Net Assets for the periods ending June 30, 2012 and 2011**

The following table presents a summary of net assets for the fiscal years ended June 30, 2012 and 2011.

	<b>2012</b>	<b>2011</b>
Current assets	\$ 7,636,360	\$ 11,630,588
Noncurrent assets	<u>58,511,279</u>	<u>60,388,953</u>
<b>Total assets</b>	<u><b>\$ 66,147,639</b></u>	<u><b>\$ 72,019,541</b></u>
Current liabilities	\$ 2,942,949	\$ 4,463,922
Noncurrent liabilities	<u>36,883,926</u>	<u>38,616,656</u>
<b>Total liabilities</b>	<u><b>\$ 39,826,875</b></u>	<u><b>\$ 43,080,578</b></u>
<b>Net assets</b>		
Investment in capital assets (net of debt)	\$ 19,798,477	\$ 19,836,162
Restricted	2,344,130	4,917,852
Nonspendable	77,318	79,108
Unassigned	3,788,438	3,375,138
Committed	<u>312,401</u>	<u>730,703</u>
<b>Total net assets</b>	<u><b>\$ 26,320,764</b></u>	<u><b>\$ 28,938,963</b></u>

**Comments on Budget Comparisons**

- The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.
- The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. "On-Behalf" payments were not included in the budget. Therefore budget comparisons have some large negative variances. Caution should be used when reading the budget comparison reports.
- The District's total General Fund revenues for the fiscal year ended June 30, 2012, net of inter-fund transfers, were \$26,105,944.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$5,356,640 more than budget or approximately 21%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$26,401,072, net of interfund transfers and debt service.
- General Fund budget expenditures to actual varied significantly in Instruction. Actual expenditures were \$737,758 greater than budget. This is a result of the District recording "on behalf" payments made by the State.



**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2012**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 785,575	\$ 686,490
Operating grants and contributions	6,105,946	6,332,531
Capital grants and contributions	<u>1,850,973</u>	<u>1,691,485</u>
Total program revenues	<u>8,742,494</u>	<u>8,710,506</u>
General Revenues:		
Property taxes	5,186,505	5,184,962
Other taxes	1,663,952	1,706,152
Grants and entitlements	20,798,953	19,366,932
Earnings on investments	119,623	211,209
Miscellaneous	<u>398,360</u>	<u>158,843</u>
Total general revenues	<u>28,167,393</u>	<u>26,628,098</u>
Total revenues	<u>36,909,887</u>	<u>35,338,604</u>
<b>Expenses:</b>		
Instruction	19,018,114	17,787,047
Student support services	1,879,140	1,874,802
Instructional support	2,007,508	1,819,875
District administration	728,271	760,454
School administration	1,848,510	1,725,553
Business support	593,151	567,993
Plant operations	3,021,544	3,412,533
Student transportation	2,436,107	2,397,759
Adult education	335,152	86,170
Facilities acquisition and constructions	2,953,775	588,818
Community service activities	15,762	390,313
Other	22,211	21,105
Debt service	1,969,739	1,376,290
Food service	<u>2,699,102</u>	<u>2,569,278</u>
Total expenses	<u>39,528,086</u>	<u>35,377,990</u>
Deficit of revenues over expenses	<u>\$ ( 2,618,199)</u>	<u>\$ ( 39,386)</u>

**General Fund Revenue**

The majority of revenue was derived from State SEEK Funds and Federal SEEK stabilization funds (51%) with local funding making up 21% of total revenue.

**Infrastructure**

The District has not reported any infrastructure in the current financial statements.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2012**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

**Analysis of balances and transactions of individual funds (in thousands)**

<u>Fund</u>	<u>Beginning</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers in (out)</u>	<u>Ending</u>
General	\$ 4,825	\$ 26,106	\$ 26,401	\$ 546	\$ 5,076
Special revenue	-	4,223	4,292	69	-
Capital outlay	1,223	362	362	(882)	341
Building	428	3,188	3,133	(150)	333
Construction	2,541	109	2,952	899	597

**Capital Assets and Long-Term Debt Activity (in thousands)**

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
<b>Governmental</b>				
Capital assets	\$ 77,820	\$ 9,093	\$ 8,479	\$ 78,434
Accumulated depreciation	20,427	2,548	222	22,753
<b>Business-type</b>				
Capital assets	4,373	18	-	4,391
Accumulated depreciation	1,701	161	-	1,862
Bonds payable	38,631	-	1,716	36,915
Capital leases payable	1,922	-	124	1,798

**CURRENT ISSUES**

In fiscal year 2012-2013, the District will be paying 1% of the District's certified payroll towards the health contribution for teacher retirement. This percentage will continue to rise each fiscal year until it reaches 3% of the District's certified payroll. This amount will be drawn directly from the General Fund.

CERS employer contribution has risen to 19.66% of classified payroll in fiscal 2012-2013 from 18.96% of classified payroll in fiscal 2011-2012. This contribution will continue to rise.

The amount of per pupil SEEK was decreased to \$3,833 in fiscal 2012-2013 from \$3,903 in fiscal 2011-2012.

State grant funds continue to be cut which means the General Fund may be forced to pick up even more additional costs.

The District saw a decrease in property values of approximately \$8 million for fiscal 2012-2013. The District took the compensating rate for property taxes in fiscal 2012-2013 which is designed to bring in the same amount of money as the District collected in fiscal 2011-2012.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$2,187,231 in contingency (9%). The beginning cash balance for the fiscal year is \$11,639,577.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2012**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives.

Questions regarding this report should be directed to Mr. Ronald Gene Livingood, Superintendent or to Matt Morgan, Assistant Superintendent of Finance and Personnel at (859) 824-3233 or by mail at 820 Arnie Risen Boulevard, Williamstown, Kentucky 41097-0369.

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS - DISTRICT WIDE**  
**AS OF JUNE 30, 2012**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CURRENT</b>			
Cash and cash equivalents	\$ 6,194,781	\$ 823,041	\$ 7,017,822
Due from other funds	-	-	-
Accounts receivable	538,333	2,887	541,220
Inventory	-	77,318	77,318
Total current	6,733,114	903,246	7,636,360
<b>NONCURRENT</b>			
Bond origination costs - net	301,490	-	301,490
Construction in progress	-	-	-
Land and land improvements	4,578,512	-	4,578,512
Buildings and improvements	63,314,814	2,970,967	66,285,781
Furniture and equipment	10,540,499	1,420,144	11,960,643
Less: accumulated depreciation	(22,753,588)	(1,861,559)	(24,615,147)
Total noncurrent	55,981,727	2,529,552	58,511,279
Total assets	\$ 62,714,841	\$ 3,432,798	\$ 66,147,639
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accrued interest	\$ 476,037	\$ -	\$ 476,037
Current portion of bonds payable	1,731,000	-	1,731,000
Current portion of capital lease obligation	325,302	-	325,302
Current portion of accrued sick leave	25,270	-	25,270
Accounts payable	139,717	1,016	140,733
Due to food service fund	-	-	-
Accrued payroll and related liabilities	52,522	-	52,522
Deferred revenue	192,085	-	192,085
Total current	2,941,933	1,016	2,942,949
<b>NONCURRENT</b>			
Accrued sick leave	227,426	-	227,426
Capital lease obligation	1,472,500	-	1,472,500
Long term bonds payable	35,184,000	-	35,184,000
Total noncurrent	36,883,926	-	36,883,926
Total liabilities	39,825,859	1,016	39,826,875
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,268,925	2,529,552	19,798,477
Restricted for:			
Capital projects	1,140,106	-	1,140,106
Debt service	379,112	-	379,112
Net assets	-	824,912	824,912
Nonspendable	-	77,318	77,318
Committed			
Sick leave	126,348	-	126,348
Site based carryforward	186,053	-	186,053
Unassigned	3,788,438	-	3,788,438
Total net assets	22,888,982	3,431,782	26,320,764
Total liabilities and net assets	\$ 62,714,841	\$ 3,432,798	\$ 66,147,639

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES - DISTRICT WIDE  
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities</b>							
Instruction	\$ 19,018,114	\$ -	\$ 2,966,469	\$ -	\$ (16,051,645)	\$ -	\$ (16,051,645)
Support services:							
Student	1,879,140	-	182,079	-	(1,697,061)	-	(1,697,061)
Instruction staff	2,007,508	-	776,870	-	(1,230,638)	-	(1,230,638)
District administration	728,271	-	-	-	(728,271)	-	(728,271)
School administration	1,848,510	-	-	-	(1,848,510)	-	(1,848,510)
Business	593,151	-	-	-	(593,151)	-	(593,151)
Plant operation and maintenance	3,021,544	200	56,478	-	(2,964,866)	-	(2,964,866)
Student transportation	2,436,107	-	-	-	(2,436,107)	-	(2,436,107)
Adult education	335,152	-	309,939	-	(25,213)	-	(25,213)
Food service operation	105,593	-	-	-	(105,593)	-	(105,593)
Facilities acquisition and construction	2,953,775	-	-	1,850,973	(1,102,802)	-	(1,102,802)
Community service activities	15,762	-	-	-	(15,762)	-	(15,762)
Other	22,211	90,510	-	-	68,299	-	68,299
Interest on long-term debt	1,969,739	-	-	-	(1,969,739)	-	(1,969,739)
Total governmental activities	36,934,577	90,710	4,291,835	1,850,973	(30,701,059)	-	(30,701,059)
<b>Business-type Activities</b>							
Food service	2,593,509	694,865	1,814,111	-	-	(84,533)	(84,533)
Total business-type activities	2,593,509	694,865	1,814,111	-	-	(84,533)	(84,533)
Total school district	<u>\$ 39,528,086</u>	<u>\$ 785,575</u>	<u>\$ 6,105,946</u>	<u>\$ 1,850,973</u>	<u>\$ (30,701,059)</u>	<u>\$ (84,533)</u>	<u>\$ (30,785,592)</u>
<b>General Revenues</b>							
Property taxes					\$ 5,186,505	\$ -	\$ 5,186,505
Delinquent property taxes					52,192	-	52,192
Motor vehicle taxes					629,502	-	629,502
Utility and other taxes					982,258	-	982,258
Revenue in lieu of taxes					-	-	-
Investment earnings					109,084	10,539	119,623
State and federal aid formula grants					20,798,953	-	20,798,953
Gain on sale of fixed assets					(4,023)	-	(4,023)
Bond principal paid by KSFCC					255,270	-	255,270
Loss on refunding of bonds					-	-	-
Miscellaneous					118,032	29,081	147,113
Total general revenues					28,127,773	39,620	28,167,393
Change in net assets					(2,573,286)	(44,913)	(2,618,199)
Net assets - beginning					25,462,268	3,476,695	28,938,963
Net assets - ending					<u>\$ 22,888,982</u>	<u>\$ 3,431,782</u>	<u>\$ 26,320,764</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash and cash equivalents	\$ 4,965,922	\$ 24,892	\$ 597,653	\$ 606,314	\$ 6,194,781
Due from other funds	-	-	-	-	-
Accounts receivable	288,712	181,261	-	68,360	538,333
Total assets	<u>\$ 5,254,634</u>	<u>\$ 206,153</u>	<u>\$ 597,653</u>	<u>\$ 674,674</u>	<u>\$ 6,733,114</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 125,649	\$ 14,068	\$ -	\$ -	\$ 139,717
Due to other funds	-	-	-	-	-
Accrued payroll and related liabilities	52,522	-	-	-	52,522
Deferred revenue	-	192,085	-	-	192,085
Total liabilities	<u>178,171</u>	<u>206,153</u>	<u>-</u>	<u>-</u>	<u>384,324</u>
<b>FUND BALANCES</b>					
Restricted					
Debt service	379,112	-	-	-	379,112
Capital projects	-	-	597,653	542,453	1,140,106
Committed					
Capital projects	-	-	-	-	-
Sick leave	126,348	-	-	-	126,348
Site based carryforward	186,053	-	-	-	186,053
Unassigned	4,384,950	-	-	132,221	4,517,171
Total fund balances	<u>5,076,463</u>	<u>-</u>	<u>597,653</u>	<u>674,674</u>	<u>6,348,790</u>
Total liabilities and fund balances	<u>\$ 5,254,634</u>	<u>\$ 206,153</u>	<u>\$ 597,653</u>	<u>\$ 674,674</u>	<u>\$ 6,733,114</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

Total fund balance per fund financial statements		\$ 6,348,790
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Amounts reported for governmental activities in the statement of net assets are different because:

Unamortized bond issuance costs		301,490
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Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.

Cost of capital assets	78,433,825		
Accumulated depreciation	(22,753,588)		
			55,680,237

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.

Bonds payable	(36,915,000)		
Capital leases	(1,797,802)		
Accrued interest on bonds	(476,037)		
Accrued sick leave	(252,696)		
			(39,441,535)

Net assets for governmental activities		\$ 22,888,982
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(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
From local sources					
Property taxes	\$ 3,557,937	\$ -	\$ -	\$ 1,680,760	\$ 5,238,697
Motor vehicle taxes	629,502	-	-	-	629,502
Utility taxes	979,858	-	-	-	979,858
Other taxes	2,400	-	-	-	2,400
Tuition and fees	-	-	-	-	-
Earnings on investments	79,177	648	11,578	18,329	109,732
Other local revenues	58,117	80,510	97,807	-	236,434
State sources					
SEEK	15,777,712	-	-	1,474,628	17,252,340
Other	4,845,100	870,425	-	171,000	5,886,525
Intermediate sources	-	-	-	-	-
Federal - direct	90,952	139,187	-	-	230,139
Federal - indirect	85,189	3,132,227	-	205,345	3,422,761
Revenue in lieu of taxes	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	26,105,944	4,222,997	109,385	3,550,062	33,988,388
<b>EXPENDITURES</b>					
Instruction	14,886,253	2,966,469	-	-	17,852,722
Support services					
Student	1,327,050	182,079	-	-	1,509,129
Instructional staff	1,222,045	776,870	-	-	1,998,915
District administration	579,420	-	-	-	579,420
School administration	1,836,448	-	-	-	1,836,448
Business	591,195	-	-	-	591,195
Plant operation and maintenance	3,270,711	56,478	-	-	3,327,189
Student transportation	2,196,297	-	-	-	2,196,297
Community services	25,213	309,939	-	-	335,152
Food service operation	105,593	-	-	-	105,593
Facilities acquisition and construction	1,230	-	2,952,545	-	2,953,775
Adult education	-	-	-	-	-
Debt service	359,617	-	-	3,133,280	3,492,897
Total expenditures	26,401,072	4,291,835	2,952,545	3,133,280	36,778,732
Excess (deficit) of revenues over expenditures	(295,128)	(68,838)	(2,843,160)	416,782	(2,790,344)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital lease	-	-	-	-	-
Operating transfers in	615,656	68,838	899,381	-	1,583,875
Operating transfers out	(68,838)	-	-	(1,393,381)	(1,462,219)
Total other financing sources (uses)	546,818	68,838	899,381	(1,393,381)	121,656
Net change in fund balances	251,690	-	(1,943,779)	(976,599)	(2,668,688)
Fund balance, July 1, 2011	4,824,773	-	2,541,432	1,651,273	9,017,478
Fund balance, June 30, 2012	\$ 5,076,463	\$ -	\$ 597,653	\$ 674,674	\$ 6,348,790

(See Auditors' Report and Accompanying Notes to the Financial Statements)



**GRANT COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in total fund balances per fund financial statements		\$ (2,668,688)
Amounts reported for governmental activities in the statement of activities are different because:		
Proceeds from bond sale		-
Proceeds from capital leases		-
Costs related to bond issuance		-
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlays and retirements.		
Depreciation expense	(2,548,342)	
Retirement of capital assets	(4,023)	
Construction in progress	-	
Capital outlays	<u>839,790</u>	
		(1,712,575)
Net bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.		
Principal paid	1,716,000	
Capital lease payments	<u>123,989</u>	
		1,839,989
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
		<u>(32,012)</u>
Changes in net assets of governmental activities		<u><u>\$ (2,573,286)</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>BUDGETED AMOUNTS</u>			<b>VARIANCE WITH</b>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<b>FINAL BUDGET FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
From local sources				
Property taxes	\$ 3,410,043	\$ 3,410,043	\$ 3,557,937	\$ 147,894
Motor vehicle taxes	586,444	586,444	629,502	43,058
Utility taxes	750,000	750,000	979,858	229,858
Other taxes	-	-	2,400	2,400
Tuition and fees	-	-	-	-
Earnings on investments	55,000	55,000	79,177	24,177
Other local revenue	16,000	16,000	58,117	42,117
State sources				
SEEK	15,600,000	15,776,517	15,777,712	1,195
Other	-	-	4,845,100	4,845,100
Federal - direct	87,300	87,300	90,952	3,652
Federal - indirect	-	-	85,189	85,189
Revenue in lieu of taxes	50,000	50,000	-	(50,000)
Other revenues	18,000	18,000	-	(18,000)
Total revenues	<u>20,572,787</u>	<u>20,749,304</u>	<u>26,105,944</u>	<u>5,356,640</u>
<b>EXPENDITURES</b>				
Instruction	12,282,875	12,392,695	14,886,253	(2,493,558)
Support services				
Student	1,045,944	1,046,133	1,327,050	(280,917)
Instruction staff	1,109,516	1,083,811	1,222,045	(138,234)
District administration	836,216	843,991	579,420	264,571
School administration	1,610,900	1,595,665	1,836,448	(240,783)
Business	513,191	513,191	591,195	(78,004)
Plant operation and maintenance	3,160,907	3,163,307	3,270,711	(107,404)
Student transportation	2,073,228	2,075,728	2,196,297	(120,569)
Food Service	108,741	108,741	105,593	3,148
Contingency	2,187,231	2,458,230	-	2,458,230
Community services	15,073	15,073	25,213	(10,140)
Facilities acquisition and construction	7,500	7,500	1,230	6,270
Debt service	359,249	359,249	359,617	(368)
Total expenditures	<u>25,310,571</u>	<u>25,663,314</u>	<u>26,401,072</u>	<u>(737,758)</u>
Excess (deficit) of revenues over expenditures	<u>(4,737,784)</u>	<u>(4,914,010)</u>	<u>(295,128)</u>	<u>4,618,882</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease	-	-	-	-
Operating transfers in	329,000	329,000	615,656	286,656
Operating transfers out	(87,535)	(87,535)	(68,838)	18,697
Total other financing sources (uses)	<u>241,465</u>	<u>241,465</u>	<u>546,818</u>	<u>305,353</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(4,496,319)</u>	<u>(4,672,545)</u>	<u>251,690</u>	<u>4,924,235</u>
Fund balance, July 1, 2011	<u>4,496,319</u>	<u>4,672,545</u>	<u>4,824,773</u>	<u>152,228</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,076,463</u>	<u>\$ 5,076,463</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**AS OF JUNE 30, 2012**

<b>ASSETS</b>	<b>FOOD SERVICE FUND</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>
<b>CURRENT</b>			
Cash and cash equivalents	\$ 788,756	\$ 34,285	\$ 823,041
Accounts receivable	2,887	-	2,887
Due from general fund	-	-	-
Inventory	77,318	-	77,318
	<u>868,961</u>	<u>34,285</u>	<u>903,246</u>
Total current			
	<u>868,961</u>	<u>34,285</u>	<u>903,246</u>
<b>NONCURRENT</b>			
Furniture and equipment	4,391,111	-	4,391,111
Less: accumulated depreciation	(1,861,559)	-	(1,861,559)
	<u>2,529,552</u>	<u>-</u>	<u>2,529,552</u>
Total noncurrent			
	<u>2,529,552</u>	<u>-</u>	<u>2,529,552</u>
Total assets	<u>\$ 3,398,513</u>	<u>\$ 34,285</u>	<u>\$ 3,432,798</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable	\$ 541	\$ 475	\$ 1,016
Current portion of capital lease obligation	-	-	-
	<u>541</u>	<u>475</u>	<u>1,016</u>
Total current			
	<u>541</u>	<u>475</u>	<u>1,016</u>
<b>NONCURRENT</b>			
Capital lease obligation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>541</u>	<u>475</u>	<u>1,016</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,529,552	-	2,529,552
Nonspendable - inventories	77,318	-	77,318
Restricted	791,102	33,810	824,912
	<u>3,397,972</u>	<u>33,810</u>	<u>3,431,782</u>
Total net assets			
	<u>3,397,972</u>	<u>33,810</u>	<u>3,431,782</u>
Total liabilities and net assets	<u>\$ 3,398,513</u>	<u>\$ 34,285</u>	<u>\$ 3,432,798</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FOOD SERVICE FUND</b>	<b>OTHER ENTERPRISE FUNDS</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Food service sales	\$ 694,865	\$ -	\$ 694,865
Other operating revenues	-	29,081	29,081
Total operating revenues	<u>694,865</u>	<u>29,081</u>	<u>723,946</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	1,126,936	2,388	1,129,324
Professional and contract services	40,821	12,373	53,194
Supplies and materials	1,100,856	24,737	1,125,593
Depreciation	160,878	-	160,878
Other operating expenses	514	2,350	2,864
Total operating expenses	<u>2,430,005</u>	<u>41,848</u>	<u>2,471,853</u>
Operating loss	<u>(1,735,140)</u>	<u>(12,767)</u>	<u>(1,747,907)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants	1,490,503	-	1,490,503
State grants	227,012	-	227,012
Donated commodities and other donations	96,596	-	96,596
Interest income	10,539	-	10,539
Loss on fixed assets	-	-	-
Transfer of funds	(121,656)	-	(121,656)
Total nonoperating revenues (expenses)	<u>1,702,994</u>	<u>-</u>	<u>1,702,994</u>
Net loss	(32,146)	(12,767)	(44,913)
Total net assets, July 1, 2011	<u>3,430,118</u>	<u>46,577</u>	<u>3,476,695</u>
Total net assets, June 30, 2012	<u><u>\$ 3,397,972</u></u>	<u><u>\$ 33,810</u></u>	<u><u>\$ 3,431,782</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FOOD SERVICE FUND</b>	<b>OTHER ENTERPRISE</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from lunchroom sales	\$ 694,865	\$ -	\$ 694,865
Cash received from other activities	-	29,081	29,081
Cash payments to employees for services	(1,126,936)	(2,388)	(1,129,324)
Cash payments to suppliers for goods and services	(1,161,221)	(36,807)	(1,198,028)
Cash payments for other operating activities	(514)	(2,350)	(2,864)
Net cash used in operating activities	<u>(1,593,806)</u>	<u>(12,464)</u>	<u>(1,606,270)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Principal payments on capital leases	-	-	-
Acquisition of capital assets	(17,990)	-	(17,990)
Net cash used in capital financing activities	<u>(17,990)</u>	<u>-</u>	<u>(17,990)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Non-operating grants received	1,821,092	-	1,821,092
Net cash provided by noncapital financing activities	<u>1,821,092</u>	<u>-</u>	<u>1,821,092</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Transfer of funds	(121,656)	-	(121,656)
Interest on investments	10,539	-	10,539
Net cash used in investing activities	<u>(111,117)</u>	<u>-</u>	<u>(111,117)</u>
Net increase (decrease) in cash and cash equivalents	98,179	(12,464)	85,715
Cash and cash equivalents - beginning	690,577	46,749	737,326
Cash and cash equivalents - ending	<u>\$ 788,756</u>	<u>\$ 34,285</u>	<u>\$ 823,041</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating loss	\$ (1,735,140)	\$ (12,767)	\$ (1,747,907)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Depreciation	160,878	-	160,878
Changes in assets and liabilities:			
(Increase) decrease in inventory	1,790	-	1,790
Increase (decrease) in accounts payable	(21,334)	303	(21,031)
Net cash used in operating activities	<u>\$ (1,593,806)</u>	<u>\$ (12,464)</u>	<u>\$ (1,606,270)</u>
<b>SCHEDULE OF NON-CASH TRANSACTIONS</b>			
Donated commodities received from federal government	<u>\$ 96,596</u>	<u>\$ -</u>	<u>\$ 96,596</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - FIDUCIARY FUND  
AS OF JUNE 30, 2012**

	<u>TRUST/AGENCY FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 58,129	\$ 58,129
Total current assets	<u>58,129</u>	<u>58,129</u>
<b>NONCURRENT</b>		
Capital assets	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 58,129</u></u>	<u><u>\$ 58,129</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Total current	<u>\$ -</u>	<u>\$ -</u>
<b>NONCURRENT</b>		
Total noncurrent	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted	<u>58,129</u>	<u>58,129</u>
Total net assets	<u>58,129</u>	<u>58,129</u>
Total liabilities and net assets	<u><u>\$ 58,129</u></u>	<u><u>\$ 58,129</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>TRUST/AGENCY FUND</u>	<u>TOTAL</u>
<b>ADDITIONS</b>		
Net interest and investment gains	\$ 731	\$ 731
Private donations	500	500
Other additions	<u>39,248</u>	<u>39,248</u>
Total additions	<u>40,479</u>	<u>40,479</u>
<b>DEDUCTIONS</b>		
Scholarships awarded	-	-
Supplies and materials	<u>38,271</u>	<u>38,271</u>
Total deductions	<u>38,271</u>	<u>38,271</u>
Change in net assets	2,208	2,208
Net assets - July 1, 2011	<u>55,921</u>	<u>55,921</u>
Net assets - June 30, 2012	<u><u>\$ 58,129</u></u>	<u><u>\$ 58,129</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Grant County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Grant County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Grant County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Grant County School District Finance Corporation - The Grant County Board of Education authorized the establishment of the Grant County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Grant County Board of Education also comprise the Corporation's Board of Directors.

**Basis of Presentation**

District-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.



**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 43. This is a major fund of the District.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The Construction fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

IV. Fiduciary Fund Type (agency and trust funds)

The Trust/Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the District-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the District-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	15-20 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments.

The entire compensated absence liability is reported on the district-wide financial statements.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance - amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit cash and cash equivalents totaling \$7,711,544. Of the total cash balance, \$267,807 was covered by the Federal Deposit Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2012 consist of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Forcht Bank	\$ 7,693,737	\$ 7,466,812
Grant County Deposit Bank	<u>17,807</u>	<u>15,707</u>
 Total	 <u>\$ 7,711,544</u>	 <u>\$ 7,482,519</u>

Allocation per financial statements:

Governmental funds	\$ 6,194,781
Proprietary funds	823,041
Agency funds	58,129
Activity funds	<u>406,568</u>
	<u>\$ 7,482,519</u>

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012, this amount totaled approximately \$252,696 for those employees with twenty-seven or more years of experience. The Board has reserved \$126,348 of its General Fund for unpaid sick leave benefits.

**NOTE E - COMMITMENTS UNDER CAPITAL LEASES**

The District is the lessee of buses under capital leases expiring between 2012 and 2022. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2012, for each of the next five years and in the aggregate are as follows:

2013	\$ 379,374
2014	308,006
2015	300,965
2016	239,145
2017	239,050
Thereafter	<u>556,652</u>
Total minimum rentals	2,023,192
Less: amount representing interest	<u>225,390</u>
Present value of net minimum lease payments	<u><u>\$ 1,797,802</u></u>



**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE F - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Land and land improvements	\$ 4,578,512	\$ -	\$ -	\$ 4,578,512
Buildings and improvements	55,062,313	8,252,501	-	63,314,814
Technology equipment	3,703,963	378,521	53,637	4,028,847
Vehicles	4,653,199	45,962	168,026	4,531,135
General equipment	1,569,759	415,307	4,549	1,980,517
Construction in progress	8,252,501	-	8,252,501	-
Totals at historical cost	<u>77,820,247</u>	<u>9,092,291</u>	<u>8,478,713</u>	<u>78,433,825</u>
Less: accumulated depreciation				
Land improvements	1,309,606	100,154	-	1,409,760
Buildings and improvements	13,271,349	1,331,557	-	14,602,906
Technology equipment	2,209,617	608,070	50,221	2,767,466
Vehicles	2,489,449	404,733	168,026	2,726,156
General equipment	1,147,414	103,828	3,942	1,247,300
Total accumulated depreciation	<u>20,427,435</u>	<u>2,548,342</u>	<u>222,189</u>	<u>22,753,588</u>
Governmental activities capital assets - net	<u>\$ 57,392,812</u>	<u>\$ 6,543,949</u>	<u>\$ 8,256,524</u>	<u>\$ 55,680,237</u>
<u>Business - Type Activities</u>				
Buildings and improvements	\$ 2,970,967	\$ -	\$ -	\$ 2,970,967
Technology equipment	42,142	-	-	42,142
General equipment	1,360,012	17,990	-	1,378,002
Totals at historical cost	<u>4,373,121</u>	<u>17,990</u>	<u>-</u>	<u>4,391,111</u>
Less: accumulated depreciation				
Buildings and improvements	989,912	79,419	-	1,069,331
Technology equipment	31,049	5,132	-	36,181
General equipment	679,720	76,327	-	756,047
Total accumulated depreciation	<u>1,700,681</u>	<u>160,878</u>	<u>-</u>	<u>1,861,559</u>
Business - type activities capital assets - net	<u>\$ 2,672,440</u>	<u>\$ (142,888)</u>	<u>\$ -</u>	<u>\$ 2,529,552</u>

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE G - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
July 2002	\$ 2,210,000	1.95% - 4.75%
September 2002	\$ 985,000	1.45% - 3.75%
May 2005	\$ 8,490,000	3.00% - 4.00%
June 2005	\$ 203,000	3.625% - 3.875%
July 2005	\$ 5,445,000	3.20% - 4.25%
November 2006	\$ 1,930,000	3.50% - 4.00%
April 2007	\$ 15,835,000	4.25% - 4.30%
October 2010	\$ 2,215,000	0.60% - 3.10%
July 2010	\$ 8,485,000	0.80% - 5.55%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table in Note Q sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are as reported on Note Q on page 35.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE H - COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District leases equipment under operating leases expiring in various years through 2013. Future minimum lease payments under operating lease agreements for equipment as of June 30, 2012, are as follows:

Year ending June 30:

2013	\$ 606
2014	-
2015	-
2016	-
2017	-
	<hr/>
Total minimum lease payments	\$ 606

**NOTE I - RETIREMENT PLANS**

Kentucky Teachers Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer retirement system created by and maintained by Kentucky legislature. KTRS provides retirement, death and disability benefits to Plan members.

Plan members are required to contribute 10.355% of their annual creditable compensation. Members hired on or after July 1, 2008 pay an additional .5% of their salary to the medical insurance fund. Matching contributions are made by the state in the form of on behalf payments. The district is required to remit matching contributions on those school district employees whose salaries are paid by federally programs. This federal matching rate is 13.605% for employees hired before July 1, 2008 and 14.105% for employees hired after July 1, 2008. The contribution requirement for KTRS for the year ended June 30, 2012, was \$1,776,452, which consisted of \$285,191 from the District and \$1,491,261 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$1,624,364 and \$1,542,896 respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2012, was \$1,194,772, which consisted of \$937,329 from the District and \$257,443 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$1,121,567 and \$1,035,801, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

The District's total payroll for the year was \$19,361,196. The payroll for employees covered under KTRS was \$12,678,958 and for CERS was \$4,943,721.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE I - RETIREMENT PLANS (CONT'D)**

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601

**NOTE J - CONTINGENCIES**

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

**NOTE K - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

**NOTE L - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE L - RISK MANAGEMENT (CONT'D)**

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE M - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 1,943,779
Capital Outlay	\$ 881,624
Building Fund	\$ 94,975
Grant County Middle School	\$ 2,326

**NOTE N - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE O - TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 68,838
51	1	Indirect cost	\$ 121,656
310	360	Construction	\$ 899,381
310	1	Operating	\$ 344,000
320	1	Operating	\$ 150,000

**NOTE P - ON-BEHALF PAYMENTS**

For the year ended June 30, 2012, total payments of \$4,912,302 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and are recorded as revenues and expenses in the following funds:

General Fund	\$ 4,708,405
Food Service Fund	203,897
	<u>\$ 4,912,302</u>

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE Q - MATURITY OF GENERAL LONG-TERM OBLIGATIONS**

**2002A, 2002B, 2005, 2005A, 2005B, 2006, 2007, 2010 AND 2010R SERIES**

<b>FISCAL YEAR</b>	<b>GRANT COUNTY SCHOOL DISTRICT</b>		<b>KY SCHOOL FACILITIES CONSTRUCTION COMMISSION</b>		<b>TOTAL REQUIREMENTS</b>
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	
2012-2013	\$ 1,476,582	\$ 1,277,065	\$ 254,418	\$ 122,001	\$ 3,130,066
2013-2014	1,561,842	1,228,779	243,158	115,285	3,149,064
2014-2015	1,614,486	1,171,369	250,514	107,959	3,144,328
2015-2016	1,672,121	1,111,260	251,879	99,932	3,135,192
2016-2017	1,736,610	1,048,510	243,390	91,454	3,119,964
2017-2018	1,810,014	978,733	194,986	83,035	3,066,768
2018-2019	1,878,028	908,889	201,972	76,047	3,064,936
2019-2020	1,949,935	835,662	185,065	68,776	3,039,438
2020-2021	2,033,442	753,486	91,558	61,185	2,939,671
2021-2022	2,109,343	676,435	95,657	57,087	2,938,522
2022-2023	2,184,876	595,912	100,124	52,620	2,933,532
2023-2024	2,275,095	520,030	104,905	47,839	2,947,869
2024-2025	2,369,877	426,801	110,123	42,621	2,949,422
2025-2026	2,469,229	329,320	115,771	36,973	2,951,293
2026-2027	2,558,262	239,042	121,738	31,005	2,950,047
2027-2028	981,823	119,810	128,177	24,567	1,254,377
2028-2029	1,014,843	87,855	135,157	17,587	1,255,442
2029-2030	1,047,339	54,284	142,661	10,084	1,254,368
2030-2031	1,088,357	18,547	111,643	3,098	1,221,645
	<u>\$ 33,832,104</u>	<u>\$ 12,381,789</u>	<u>\$ 3,082,896</u>	<u>\$ 1,149,155</u>	<u>\$ 50,445,944</u>

**NOTE R - SUBSEQUENT EVENTS**

Subsequent events were considered through November 15, 2012, which represents the release date of the report.

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
BOND AND INTEREST REDEMPTION FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	ISSUE OF 2002A	ISSUE OF 2002B	ISSUE OF 2005	ISSUE OF 2005A	ISSUE OF 2005B	ISSUE OF 2006	ISSUE OF 2007
<b>Cash at July 1, 2011</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>							
Transfers and miscellaneous deposits	36,400	85,478	333,420	1,042,974	1,530	46,006	872,618
<b>Disbursements:</b>							
Bonds paid	35,000	80,709	145,000	819,655	1,133	5,926	235,000
Interest coupons	1,400	4,769	188,420	223,319	397	40,080	637,618
Transfers and miscellaneous	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-
Total disbursements	36,400	85,478	333,420	1,042,974	1,530	46,006	872,618
Excess of disbursements over receipts	-	-	-	-	-	-	-
<b>Cash at June 30, 2012</b>	-	-	-	-	-	-	-
<b>Accounts Receivable and Payable:</b>							
Matured interest and bonds outstanding	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-
<b>Fund balance at June 30, 2012</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	ISSUE OF 2010	ISSUE OF 2010R	EQUIP CAPITAL LEASE PAYMENT	EQUIP CAPITAL LEASE PAYMENT	Total
<b>Cash at July 1, 2011</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	428,643	76,773	19,621	189,819	3,133,280
<b>Disbursements:</b>					
Bonds paid	117,922	20,387	-	-	1,460,730
Interest coupons	242,361	56,386	-	-	1,394,750
Transfers and miscellaneous	68,360	-	19,621	189,819	277,800
Call fee	-	-	-	-	-
Total disbursements	428,643	76,773	19,621	189,819	3,133,280
Excess of disbursements over receipts	-	-	-	-	-
<b>Cash at June 30, 2012</b>	-	-	-	-	-
<b>Accounts Receivable and Payable:</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund balance at June 30, 2012</b>	\$ -	\$ -	\$ -	\$ -	\$ -

**GRANT COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012**

		<b>CAPITAL OUTLAY FUND</b>	<b>BUILDING FUND</b>	<b>TOTAL NONMAJOR GOVT. FUNDS</b>
	<b>ASSETS</b>			
<b>CURRENT</b>				
	Cash and cash equivalents	\$ 341,695	\$ 264,619	\$ 606,314
	Accounts receivable	-	68,360	68,360
	Total assets	<u>\$ 341,695</u>	<u>\$ 332,979</u>	<u>\$ 674,674</u>
	<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>				
	Accounts payable	\$ -	\$ -	\$ -
	Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
	Restricted			
	Capital projects	323,938	218,515	542,453
	Unassigned	<u>17,757</u>	<u>114,464</u>	<u>132,221</u>
	Total fund balances	<u>341,695</u>	<u>332,979</u>	<u>674,674</u>
	Total liabilities and fund balances	<u>\$ 341,695</u>	<u>\$ 332,979</u>	<u>\$ 674,674</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)



**GRANT COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>CAPITAL OUTLAY FUND</b>	<b>BUILDING FUND</b>	<b>TOTAL NONMAJOR GOVT. FUNDS</b>
<b>REVENUES</b>			
From local sources			
Property taxes	\$ -	\$ 1,680,760	\$ 1,680,760
Motor vehicle taxes	-	-	-
Other taxes	-	-	-
Earnings on investments	11,399	6,930	18,329
Federal - Indirect	-	205,345	205,345
State sources			
SEEK	179,358	1,295,270	1,474,628
Other	171,000		171,000
	<u>361,757</u>	<u>3,188,305</u>	<u>3,550,062</u>
Total revenues	<u>361,757</u>	<u>3,188,305</u>	<u>3,550,062</u>
<b>EXPENDITURES</b>			
Support services			
Instruction staff	-	-	-
Plant operation and maintenance	-	-	-
Facilities acquisition and construction	-	-	-
Debt service	-	3,133,280	3,133,280
	<u>-</u>	<u>3,133,280</u>	<u>3,133,280</u>
Total expenditures	<u>-</u>	<u>3,133,280</u>	<u>3,133,280</u>
Excess of revenues over expenditures	<u>361,757</u>	<u>55,025</u>	<u>416,782</u>
<b>OTHER FINANCING SOURCES (USES)</b>	<u>(1,243,381)</u>	<u>(150,000)</u>	<u>(1,393,381)</u>
Total other financing sources (uses)	<u>(1,243,381)</u>	<u>(150,000)</u>	<u>(1,393,381)</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	<u>(881,624)</u>	<u>(94,975)</u>	<u>(976,599)</u>
Net change in fund balances	(881,624)	(94,975)	(976,599)
Fund balance, July 1, 2011	<u>1,223,319</u>	<u>427,954</u>	<u>1,651,273</u>
Fund balance, June 30, 2012	<u>\$ 341,695</u>	<u>\$ 332,979</u>	<u>\$ 674,674</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FUND BALANCE JULY 1, 2011</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2012</b>
Academic team	\$ 1,823	\$ 2,000	\$ 447	\$ 3,376
Ad achievers	110	-	-	110
Advanced placement	466	6,290	6,755	1
Ag Aqua	286	-	141	145
Ag construction	286	-	118	168
Ag Mech	458	-	-	458
Amy Robinson	100	-	44	56
Annual	8,215	3,749	5,840	6,124
Art	652	1,600	1,095	1,157
Art club	768	40	615	193
Art II	110	-	-	110
Art Society	-	579	445	134
Assessment	-	687	-	687
Athletic director	1,172	29,186	26,738	3,620
Band	130	14,349	14,479	-
Baseball	-	10,075	10,074	1
Basketball holiday tour	2,019	-	84	1,935
BJ Toll scholarship	6,950	3,100	1,500	8,550
Bookfund	63,814	41,784	43,919	61,679
Boy's basketball	9	20,577	18,752	1,834
Boy's basketball camp	171	-	171	-
Boy's elementary basketball	2,379	15,134	17,158	355
Boy's golf	6	1,582	1,587	1
Boy's soccer	5	7,862	5,856	2,011
Cheerleaders	964	6,026	6,984	6
Chestnut Family	-	2,309	2,309	-
Child development	-	249	120	129
Chorus	-	29,317	29,221	96
Computer fund	216	-	186	30
Cooking account	209	1,038	1,216	31
Cross country	5,920	16,512	18,215	4,217
Culinary café	697	3,513	3,669	541
Dance team	1,165	2,906	2,585	1,486
District boys/girls	-	12,961	12,004	957
District baseball	49	-	-	49
DR Toyota scholarship	200	12,500	8,000	4,700
English	359	1,192	1,047	504
Fashion	94	-	25	69
Fast pitch softball	6	8,178	7,681	503
FCCLA	633	13,973	12,562	2,044
FFA alumni	160	340	500	-
Floral design	285.00	791.00	217.00	859.00
Football	3,393	30,483	32,624	1,252
Football bowl	3,793	5,186	7,479	1,500
Foreign language	184	953	1,137	-

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FUND BALANCE JULY 1, 2011</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2012</b>
French	\$ 205	\$ 129	\$ 37	\$ 297
Future business	279	21,423	21,603	99
Future Farmers of America	4,609	14,389	15,129	3,869
Garden Project	-	500	430	70
General	424	4,425	4,310	539
Girl's basketball	134	34,621	34,755	-
Girl's elementary basketball	2,469	6,471	3,967	4,973
Girl's golf	1,317	5,078	4,307	2,088
Girl's golf region 6	384	1,430	1,555	259
Girl's soccer	995	7,897	8,343	549
Greenhouse	3,437	1,109	1,413	3,133
Health Occupation	-	11,937	10,290	1,647
ID's	109	439	533	15
KOI	-	3,576	3,575	1
Kossa	1,427	-	636	791
Lady Braves BB camp	2,669	-	2,669	-
Let Us Never Forget	1,000	-	1,000	-
Library club	1,129	2,026	3,049	106
Lloyd Franks Scholarship	-	17,807	-	17,807
Locks	2,528	800	-	3,328
Marching band	3,159	23,258	19,068	7,349
Math	1	225	-	226
Math field trip	-	1,802	1,026	776
National Eng. Society	-	332	260	72
National honor society	678	900	1,096	482
Parking stickers	1,556	1,620	383	2,793
PE Account	-	335	-	335
Pen drive	101	-	100	1
Pep club	37	-	-	37
Project graduation	-	4,418	3,391	1,027
Prom account	13,383	18,350	21,335	10,398
Reach	-	1,500	-	1,500
Relay for Life	50	-	50	-
ROTC	-	1,025	1,025	-
School Store	-	5,612	5,181	431
School play	46	-	-	46
Science field trip	41	1,837	730	1,148
Senior class	197	32,823	33,019	1
Skills USA	-	8,527.00	8,379.00	148.00
Small animal	190	-	-	190
Social committee	7	364	371	-
Spanish field trip	-	1,575	1,575	-
Speech & drama	3,297	11,801	12,697	2,401
STLP	216	-	-	216
Student council	3,805	1,406	2,524	2,687

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FUND BALANCE JULY 1, 2011</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2012</b>
Student incentives	\$ 53	\$ 480	\$ 413	\$ 120
Teacher's lounge	-	548	301	247
Tech Student Assoc	-	5,283	4,304	979
Tennis	60	608	668	-
The Brave's banner	5,298	4,900	2,170	8,028
Track	4,949	7,270	11,742	477
UNICEF	9	-	-	9
Volleyball	1,669	11,330	10,526	2,473
Wrestling	-	10,446	7,777	2,669
York scholarship fund	16,781	164	-	16,945
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 186,954</u>	<u>\$ 599,817</u>	<u>\$ 571,311</u>	<u>\$ 215,460</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>GRANT COUNTY MIDDLE SCHOOL</b>	<b>CRITTENDEN MT. ZION ELEMENTARY SCHOOL</b>	<b>DRY RIDGE ELEMENTARY SCHOOL</b>
Fund balance at July 1, 2011	\$ 59,571	\$ 33,845	\$ 40,018
Add: receipts	143,088	40,461	32,581
Less: disbursements	<u>(145,414)</u>	<u>(38,398)</u>	<u>(31,481)</u>
Fund balance at June 30, 2012	<u><u>\$ 57,245</u></u>	<u><u>\$ 35,908</u></u>	<u><u>\$ 41,118</u></u>

	<b>MASON CORINTH ELEMENTARY SCHOOL</b>	<b>SHERMAN ELEMENTARY SCHOOL</b>	<b>TOTAL</b>
Fund balance at July 1, 2011	\$ 32,992	\$ 14,758	\$ 181,184
Add: receipts	35,917	29,888	281,935
Less: disbursements	<u>(27,202)</u>	<u>(29,516)</u>	<u>(272,011)</u>
Fund balance at June 30, 2012	<u><u>\$ 41,707</u></u>	<u><u>\$ 15,130</u></u>	<u><u>\$ 191,108</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**GRANT COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM / CLUSTER TOTALS
<b>U.S. DEPARTMENT OF ENERGY</b>				
<i>Passed through Kentucky School Board Association</i>				
State Energy Program - Recovery Act	81.041	1000001115	\$ 49,802	\$ 49,802
<b>Total U.S. Department of Energy</b>			<u>49,802</u>	<u>49,802</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Teaching American History	84.215	N/A	132,511	132,511
Safe and Drug Free Schools and Communities- National Programs	84.184	N/A	<u>6,676</u>	<u>6,676</u>
<i>Passed through the Kentucky Department of Education:</i>				
Education Jobs Fund	84.410	EJOB00 10	869,561	869,561
Adult Education - Basic Grants to States	84.002	5520912 09	<u>26,988</u>	<u>26,988</u>
Career and Technical Education - Basic Grants to States	84.048	4621132 12	47,048	
Career and Technical Education - Basic Grants to States	84.048	4621132 11	1,555	
Career and Technical Education - Basic Grants to States	84.048	4621132 10	<u>2,284</u>	<u>50,887</u>
Improving Teacher Quality State Grant	84.367	3230002 11	122,179	
Improving Teacher Quality State Grant	84.367	3230002 10	<u>52,287</u>	<u>174,466</u>
Education Technology State Grants - Recovery Act	84.386	4210002 09	<u>27,923</u>	<u>27,923</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	3410002 09	<u>2,993</u>	<u>2,993</u>
Education for Homeless Children and Youth - Recovery Act	84.387	4990002 09	<u>5,112</u>	<u>5,112</u>
Title I Cluster:				
Title I - Grants to Local Educational Agencies	84.010	3100002 11	482,217	
Title I - Grants to Local Educational Agencies	84.010	3100002 10	528,351	
Title I - Grants to Local Educational Agencies	84.010	3100002 09	13,321	
Title I - Grants to Local Educational Agencies - Recovery Act	84.389	4100002 09	<u>23,260</u>	<u>1,047,149</u>
Special Education Cluster:				
Special Education - Preschool Grants, Recovery Act	84.392	4800002 09	6,003	
Special Education Grants to States - Recovery Act	84.391	4810002 09	5,647	
Special Education Grants to States	84.027	3810002 11	712,302	
Special Education Grants to States	84.027	3810002 10	120,312	
Special Education Preschool Grants	84.173	3800002 11	27,754	
Special Education Preschool Grants	84.173	3800002 10	<u>5,329</u>	<u>877,347</u>
<b>Total U.S. Department of Education</b>			<u>3,221,613</u>	<u>3,221,613</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the Kentucky Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 11	202,158	
National School Lunch Program	10.555	7750002 12	822,131	
School Breakfast Program	10.553	7760005 12	337,112	
School Breakfast Program	10.553	7760005 11	79,043	
Summer Food Service Program for Children	10.559	7690024 11	2,217	
Summer Food Service Program for Children	10.559	7740023 11	21,369	
<i>Passed through the Kentucky Department of Agriculture</i>				
National School Lunch Program - Food Donation	10.555	041-0100	<u>96,596</u>	<u>1,560,626</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,560,626</u>	<u>1,560,626</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,832,041</u>	<u>\$ 4,832,041</u>

**GRANT COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Grant County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**GRANT COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Grant County School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Grant County School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Grant County School District expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings reportable under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs include: School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Summer Food Service Program for Children, CFDA #10.559; Title I - Grants to Local Educational Agencies, CFDA #84.010; Title I – Grants to Local Educational Agencies – Recovery Act, CFDA #84.389; Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173; Special Education Preschool Grants – Recovery Act, CFDA #84.392; Special Education Grants to States, CFDA #84.391; Education for Homeless Children and Youth – Recovery Act, CFDA #84.387; Education Technology State Grants - Recovery Act, CFDA #84.386; State Energy Program – Recovery Act, CFDA #81.041; and Education Jobs Fund, CFDA #84.410.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Grant County School District does not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None



**GRANT COUNTY SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2012**

**BOARD MEMBERS**

Dr. Alice Heeger-Hartman  
Term Expires – December 31, 2012

Carol Horn  
Term Expires – December 31, 2014

Jim Colson  
Term Expires – December 31, 2012

Charlotte Schmidt  
Term Expires – December 31, 2014

Richard Bredenberg  
Term Expires – December 31, 2012

**ADMINISTRATIVE PERSONNEL**

Mr. Ronald Gene Livingood  
Superintendent

Mrs. Jennifer Wright  
Assistant Superintendent for Curricula, Instruction and Student Support

Mr. Matt Morgan  
Assistant Superintendent for Finance and Personnel

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Members of the Board of Education  
Grant County School District  
820 Arnie Risen Blvd.  
Williamstown, KY 41097

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County School District as of and for the year ended June 30, 2012, which collectively comprise the Grant County School District's basic financial statements and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report.

**Internal Control Over Financial Reporting**

Management of the Grant County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Grant County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Grant County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grant County School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

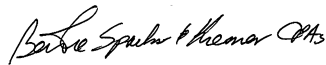
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Grant County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

We noted certain matters that we reported to management of Grant County School District in a separate letter dated August 31, 2012.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bertke Sparks & Kremer, Inc.", followed by a stylized monogram or initials.

Bertke, Sparks & Kremer, Inc.  
August 31, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Members of the Board of Education  
Grant County School District  
820 Arnie Risen Blvd.  
Williamstown, KY 41097

**Compliance**

We have audited Grant County School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Grant County School District's major federal programs for the year ended June 30, 2012. Grant County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Grant County School District's management. Our responsibility is to express an opinion on Grant County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grant County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grant County School District's compliance with those requirements.

In our opinion, Grant County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

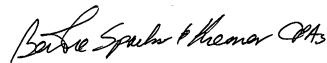
## **Internal Control Over Compliance**

Management of Grant County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Grant County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grant County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties



Bertke, Sparks & Kremer, Inc.  
August 31, 2012

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

In planning and performing our audit of the financial statements of Grant County Board of Education for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 31, 2012, on the financial statements of the Grant County School District.

**CURRENT YEAR RECOMMENDATIONS**

**Central Office**

Any exceptions noted during testing appeared to be isolated incidents only.

**ACTIVITY FUNDS**

**Grant County High School**

Condition:	Accurate financial records were not maintained during the fiscal year 2011-2012.
Criteria:	The Redbook requires accurate record keeping for all financial transactions including retaining invoices as support for expenditures and receipts to support all deposits.
Cause:	The school financial secretary disregarded the District and Redbook policies. Management oversight of the financial secretary at the school level was minimal as a result of her experience and length of time in her position with the school.
Effect:	Testing of the procedures surrounding the accounting for the activity funds was not able to be performed. The ending balances were verified based upon the ending bank reconciliation, but may not reflect an accurate representation of the individual account activity and balances. Management was unable to determine if all funds received had been accounted for.
Recommendation:	It is our recommendation that management at the high school be educated in the implementation of these controls and that a Central Office designee monitor the high school to ensure proper implementation
Response:	The Assistant Superintendent for Finance and Personnel will monitor the implementation of proper controls for finances. District Office Staff will meet regularly with high school personnel to review procedures and to monitor adherence to those procedures. District Office Staff will conduct periodic financial audits of high school records to ensure compliance with proper accounting procedures during the 2012-2013 school year.

**Grant County Middle School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Crittenden-Mt. Zion Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**GRANT COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**CURRENT YEAR RECOMMENDATIONS (CONT'D)**

**ACTIVITY FUNDS (CONT'D)**

**Dry Ridge Elementary**

Any exceptions noted during testing appeared to be isolated incidents only.

**Mason-Corinth Elementary**

Any exceptions noted during testing appeared to be isolated incidents only.

**Sherman Elementary**

Any exceptions noted during testing appeared to be isolated incidents only.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Central Office**

None

**Grant County High School**

None

**Grant County Middle School**

None

**Crittenden-Mt. Zion Elementary School**

None

**Dry Ridge Elementary School**

None

**Mason-Corinth Elementary School**

None

**Sherman Elementary School**

None